

**Copper One Inc.**  
**(Formerly Continent Resources Inc.)**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2009**

***General***

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The following information, prepared as of April 27, 2010, should be read in conjunction with the audited consolidated financial statements of Copper One Inc. (formerly Continent Resources Inc., the "Company" or "Copper One") for the year ended December 31, 2009 and 2008. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and this discussion includes the results of the Company's wholly-owned active subsidiary, Copper One USA, Inc. (formerly Continent Resources (USA) Inc.), a company incorporated in Nevada, United States of America on June 20, 2008 and changed its name to Copper One USA, Inc. on September 23, 2009. On October 9, 2009, the Company changed its name from Continent Resources Inc. to Copper One Inc. under the Canada Business Corporations Act.

During the year ended December 31, 2009, the Company's critical accounting estimates and significant accounting policies have remained substantially unchanged and are still applicable to the Company unless otherwise indicated. All amounts are expressed in Canadian dollars unless noted otherwise.

The risk factors identified in previous management's discussion and analysis (the "MD&A") have also remained substantially unchanged but two of these risk factors, future financings and foreign currency, have assumed an even greater importance to the Company in view of the current economic climate and stock market volatility. Management has assessed and will continue to address the implications of recent events in order to ensure that Continent can continue to achieve its long term objectives. Management has implemented several proposals to achieve significant administrative expense reductions and is continuing to re-evaluate the timing of its future exploration program in order to preserve financial resources.

The Company is a reporting issuer in the Provinces of Alberta, British Columbia and Ontario. The Company's common shares commenced trading on the TSX Venture Exchange on November 16, 2009 under the symbol "CUO" and prior to that on the Canadian National Stock Exchange from July 11, 2007 to November 18, 2009 when it elected to delist.

***Cautionary Note Regarding Forward Looking Statements***

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Certain statements contained in the foregoing MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

***Description of Business***

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Copper One Inc. is a Vancouver-based mineral exploration company engaged in the acquisition and exploration of natural resource properties. Currently its focus is on projects in the prolific southwest United States porphyry copper district in Arizona and New Mexico, USA. The Company continues to emphasize the exploration of properties where management believes there is potential for the discovery of large tonnage, bulk-minable deposits or smaller, high grade deposits.

On January 10, 2006, the Company signed a mineral option agreement (the "Sol D'Or Option Agreement") to acquire an undivided 100% interest in the Sol D'Or property by making staged payments of \$96,000 and issuing 100,000 common shares to the vendor, over a period of 4 years. On August 31, 2009, the payment terms were amended and subsequent to year end the option agreement was terminated.

On August 12, 2008, the Company signed a purchase and sale agreement (the "SEG Purchase Agreement") with Southwest Exploration Group LLC ("SEG") and its principals to acquire an undivided 100% interest in six properties in Arizona and New Mexico, which are the Lone Mountain and Mimbres Properties in Grant County, New Mexico; West Safford and Teague Properties in Graham County, Arizona; Twin Peaks Property in Maricopa County, Arizona, and West Jerome Property in Yavapai County, Arizona (collectively, the "SEG Properties") for USD\$450,000 in cash and granted 9,000,000 stock options to the SEG principals. The Company has fulfilled all of its obligations according to its agreement with SEG and accordingly the Company owns 100% interest in the mineral properties.

On July 31, 2009, the Company entered into an agreement with Fronteer Development (USA) Inc. under which the Company has the right to purchase the Dos Cabezas Property in southern Arizona for the total price of US\$400,000 payable over 3 years. The Dos Cabezas property is a series of gold-silver-copper quartz fissure veins exposed for 3 miles that were previously produced by underground miners. The last gold mining occurred in 1996 by Western States Mining, a subsidiary of the Fronteer Development (USA) Inc.

On October 30, 2009, the Company entered into an assignment agreement with Golden Fame (USA) Inc. (the "Assignee"), under which Copper One has assigned 100% of its right, title and interest in the Dos Cabezas Property for the total price of US\$150,000. The Assignee agrees to be irrevocably bound by all the terms identified in the Dos Cabezas Agreement except the obligation of the first payment of US\$50,000 to Fronteer Development (USA) Inc.

Currently the Company is actively exploring the SEG Properties containing known copper mineralization, with a focus on the Lone Mountain property. The Lone Mountain property in New Mexico is at the intermediate stage of exploration.

### ***Changes in Management***

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During the year ended December 31, 2009, the Company continued to increase its operations and strengthen its management team. On May 11, 2009, Mr. Robert Bick, CEO and a director of the Company, resigned in order to pursue other opportunities. Michael Pawlowski, P.Geo, was appointed as CEO and retained his positions as President and a director of the Company.

On June 12, 2009, Mr. Patrick Highsmith was appointed a director of the Company and was appointed the chairman of the board of directors of the Company on July 17, 2009.

On November 22, 2009, the Company's CEO, President and Director, Michael R. Pawlowski, passed away suddenly.

On December 16, 2009, Mr. Alan Edwards was appointed President, CEO, and Director of the Company.

The Company's Board of Directors now consists of following: Alan Edwards, Patrick Highsmith, Paul Cowley, Lawrence Dick, Herrick Lau, and Daniel Laux.

### ***Overall Performance***

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The following discussion of the Company's financial performance is based on the audited consolidated financial statements for the year ended December 31, 2009 and 2008.

The balance sheet as of December 31, 2009 indicates a cash position of \$6,180,734 (2008 - \$929,861) and total current assets of \$6,267,311 (2008 - \$1,002,468). The increase in total current assets was mainly due to the completion of the non-brokered private placement in June and August 2009.

Current liabilities at December 31, 2009 total \$131,016 (2008 - \$73,268). The increase in current liabilities was caused by regular operating expenses of the Company. Shareholders' equity is comprised of capital stock of \$8,958,199 (2008 - \$2,536,246), contributed surplus of \$2,504,246 (2008 - \$1,025,188) and deficit of \$3,345,897 (December 31, 2008 - \$1,540,062) for a net \$8,116,548 (2008 - \$2,021,372).

Working capital, which is current assets less current liabilities, is \$6,136,295 at December 31, 2009 compared to \$929,200 at December 31, 2008. Management believes that there is sufficient working capital to cover potential option payments, mineral property exploration projects and maintain its day-to-day operations.

During the year ended December 31, 2009, the Company reported a net loss of \$1,805,835 (\$0.06 basic and diluted loss per share) compared to a net loss of \$1,266,124 (\$0.09 basic and diluted loss per share) reported for the year ended December 31, 2008. Losses in the year ended December 31, 2009 and 2008 represent operating expenses of \$1,812,012 and \$1,273,959, respectively. The increase in operating expenses was due to management's efforts to actively evaluate the acquisition of prospective mineral properties during the year and includes stock based compensation for the 1,535,000 incentive stock options granted to directors and consultants of the Company that were fully vested upon grant and 2,250,000 of vested stock options (the "SEG options").

The weighted average number of common shares outstanding for the year ended December 31, 2009 was 29,581,597 (2008 - 14,596,431).

### ***Selected Annual Information***

The following financial data is derived from the Company's audited consolidated financial statements for the three most recently completed financial years:

<b>Statement of Operations And Deficit Data</b>	<b>Year End December 31, 2009</b>	<b>Year End December 31, 2008</b>	<b>Year End December 31, 2007</b>
Total Expenses	\$1,812,012	\$1,273,959	\$145,557
Interest Income	\$25,470	\$7,835	\$6,175
Net Loss	\$1,805,835	\$1,266,124	\$139,382
Basic and Diluted Net Loss per Share	\$0.06	\$0.09	\$0.025
Weighted Average Number of Shares Outstanding	29,581,597	14,596,431	11,003,148

<b>Balance Sheet Data</b>	<b>Year End December 31, 2009</b>	<b>Year End December 31, 2008</b>	<b>Year End December 31, 2007</b>
Total Assets	\$8,247,564	\$2,094,640	\$395,017
Current Liabilities	\$131,016	\$73,268	\$5,258
Shareholders' Equity	\$8,116,548	\$2,021,372	\$389,759

## **Results of Operations**

During the year ended December 31, 2009, the Company reported a net loss of \$ 1,805,835 ( \$0.06 basic and diluted loss per share) compared to a loss of \$1,266,124 (\$0.09 basic and diluted loss per share) reported for the year ended December 31, 2008, due to significant increases in most expense categories. Other than interest revenue of \$25,470 (2008 - \$7,835) received from a term deposit during the year, the Company did not generate any significant revenue during either reporting year.

The increased expenditure level for the year ended December 31, 2009 was a direct result of management's efforts to aggressively focus on the acquisition and exploration of prospective mineral properties. In order to accomplish this objective, the Company's expenses for the year ended December 31, 2009 increased as follows:

- Consulting services expenses of \$327,059 (2008 - \$16,720), which reflect the increased level of activities in acquisition and exploration of the company's mineral properties.
- Office expenses of \$101,731 (2008 - \$33,947), which reflect the increased level of activities in marketing, financing, and investor relations.
- Management services expenses of \$78,000 (2008 - \$49,500), which reflect fees paid to Baron Global Financial Canada Ltd. for advisory in management.
- Investor relations expenses of \$72,674 (2008 – nil), which reflect the increased investor relation services.
- Regulatory and shareholder services expenses of \$74,606 (2008 - \$35,590), which mainly reflect the additional fees paid for TSXV listing.

As the Company is a junior mineral exploration company without any significant revenue, it will continue to require funds to meet its ongoing day-to-day operating requirements and will have to continue to rely on equity and debt financing during the year. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular year or if available, that it can be obtained on terms satisfactory to the Company.

## **Summary of Quarterly Results (unaudited)**

The following table sets out selected unaudited quarterly financial information of the Company for the eight most recently completed quarters of operation. This information is derived from unaudited quarterly consolidated financial statements prepared by management. The Company's interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and expressed in Canadian dollars.

	<b>4<sup>th</sup> Quarter December 31, 2009</b>	<b>3<sup>rd</sup> Quarter September 30, 2009</b>	<b>2<sup>nd</sup> Quarter June 30, 2009</b>	<b>1<sup>st</sup> Quarter March 31, 2009</b>
Interest Income	18,529	570	1,038	5,333
Net Loss	(322,230)	(870,639)	(291,170)	(321,667)
Basic and Diluted Loss Per Share	(0.011)	(0.026)	(0.013)	(0.016)
Total assets	8,247,564	8,431,540	2,657,648	1,991,199
Working capital	6,136,295	6,348,674	1,151,871	563,939

	<b>4<sup>th</sup> Quarter December 31, 2008</b>	<b>3<sup>rd</sup> Quarter September 30, 2008</b>	<b>2<sup>nd</sup> Quarter June 30, 2008</b>	<b>1<sup>st</sup> Quarter March 31, 2008</b>
Interest Income	2,356	2,278	1,184	2,017
Net Loss	(250,985)	(668,067)	(293,517)	(53,556)
Basic and Diluted Loss Per Share	(0.017)	(0.168)	(0.024)	(0.005)
Total assets	2,094,640	2,167,359	318,141	383,345
Working capital	929,200	1,385,946	239,993	314,638

### Net Loss

Expenses for the year ended December 31, 2009 include stock based compensation of \$994,174, representing a non-cash charge incurred in connection with the granting of stock options and vesting of the SEG options. Overall, as management aggressively pursues the acquisition and exploration of mineral properties, all categories of general and administrative expenditures such as consulting fees, rental expenses, management services expenses, investor relations expenses, regulatory and shareholder services expenses, and office expenses reflected an increase, which resulted in an overall increasing trend in net losses from quarter to quarter.

### Total Assets

The second quarter ended June 30, 2009 reflects a significant increase in total assets compared to the previous quarter. This increase was attributed to \$770,000 received from the Company's non-brokered private placement closed in June 2009, which were partially used for the mineral properties acquisition, deferred exploration expenditures as well as administrative expenses.

The third quarter ended September 30, 2009 reflects a significant increase in total assets compared to the previous quarters. This increase was attributed to \$6,000,000 received from the Company's non-brokered private placement closed in August 2009, which were partially used for the mineral properties acquisition, deferred exploration expenditures as well as administrative expenses.

### Working Capital

Working capital for the quarters ended December 31, 2008 and March 31, 2009 decreased due to general and administrative expenses of the Company and cash payment of \$20,000 to fulfill its obligation under the Sol D'Or Option Agreement and \$50,000 to fulfill its obligation under the SEG Agreement. A continued increase in working capital for the quarter ended June 30, 2009 and September 30, 2009 was a result of a non-brokered private placement of \$770,000 and \$6,000,000, respectively.

### **Fourth Quarter**

The Company recorded a net loss of \$322,230 during the fourth quarter ended December 31, 2009. Major expenses included stock based compensation expense of \$116,678 related to the vesting of the SEG options.

### **Mineral Properties**

Mineral exploration costs formed the bulk of the Company's expenditures during the year. These costs are set out in the following table:

	Canada	USA	Total
Balance, December 31, 2007	\$ 34,688	\$ -	\$ 34,688
Acquisition costs	28,000	668,216	696,216
Exploration expenditures			
Assays and reports	-	1,900	1,900
Drilling	-	152,734	152,734
Environmental permitting	-	8,142	8,142
Field expenses	-	2,454	2,454
General administration	-	4,226	4,226
Geochemistry	-	7,204	7,204
Geological consulting	-	162,198	162,198
Geophysical studies	-	4,614	4,614
Staking and recording	-	2,375	2,375
Travel and accommodation	-	15,421	15,421
Balance, December 31, 2008	62,688	1,029,484	1,092,172
Acquisition costs	20,000	433,642	453,642
Exploration expenditures			
Assays and reports	-	5,327	5,327
Drilling	-	185,059	185,059
Environmental permitting	-	3,251	3,251
Field expenses	-	22,024	22,024
General administration	-	34,399	34,399
Geochemistry	-	17,335	17,335
Geological consulting	-	296,944	296,944
Geological mapping	-	17,364	17,364
Geophysical studies	-	84,167	84,167
Staking and recording	-	118,624	118,624
Travel and accommodation	-	24,159	24,159
	-	808,653	808,653
Recoveries of expenditures	-	(220,694)	(220,694)
Sale of mineral property	-	(101,833)	(101,833)
Properties written-off	(82,688)	-	(82,688)
	(82,688)	(322,527)	(405,215)
Balance, December 31, 2009	\$ -	\$ 1,949,252	\$ 1,949,252

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### a. Sol D'Or Property

#### Description

On January 10, 2006, the Company entered into the Sol D'Or Option Agreement to acquire the Sol D'Or property from Perry English (the "Vendor"). Under the Sol D'Or Option Agreement, the Company can earn an undivided 100% interest in the Sol D'Or property by making staged payments of \$96,000 and issuing 100,000 common shares to the Vendor, over a period of 4 years. This agreement is also subject to a 2% net smelter royalty ("NSR") to the Vendor, with an optional buyout of 1% of the royalty for a one million dollar cash payment.

The Sol D'Or property lies approximately 80 kilometres east-northeast of the town of Red Lake, Ontario. The area lies within the Archean Birch-Uchi Greenstone Belt of the western Uchi Subprovince of NW Ontario. This belt records a stratigraphic history that spanned approximately 290 million years, involving repeated episodes of rifting, and associated depositional and magmatic phases. The property covers portions of a deformation zone that forms an easterly splay off the regional northeast trending Swain Lake Deformation Zone. The name of Grace Lake Deformation Zone is applied to this east to south-easterly trending deformation zone. Mineralization of gold, silver and copper has been discovered on the Sol D'Or property.

The property consists of nine claims (1244592, 1244593, 1244594, 1244640, 1244641, 1244642, 1244671, 1244677 and 1247857) totalling 65 units, or 1664 hectares.

#### Technical Report

On April 19, 2007, a NI 43-101 technical geological report prepared by Des Cullen, P.Geo, as the qualified person and dated as at February 1, 2006 on the Sol D'Or Property was filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

#### Exploration Program

The exploration programs done by Fronteer and Red Lake Resources in 2001 on the Sol D'Or property were successful in confirming historic anomalous gold results and in identifying areas of new gold mineralization. Significant anomalous results for both rock and soil sampling programs have generated new evidence for the gold bearing structures within the Grace Lake Deformation Zone.

As of the date of this MD&A, the Company has not performed any drilling of its own on the Sol D'Or property and does not plan to perform any exploration; therefore, the Sol D'Or Mineral Property Option Agreement was terminated and all costs have been written off.

### **b. SEG Properties**

#### Description

On August 12, 2008, the Company signed the SEG Purchase Agreement with SEG and its principals, Thornwell Rogers, Michael R. Pawlowski and Daniel P. Laux (collectively, the "Sellers"), to acquire an undivided 100% interest in six properties containing known copper mineralization and/or have high potential for the discovery of copper mineralization. The properties are located in Arizona and New Mexico and are comprised of the Lone Mountain and Mimbres Properties in Grant County, New Mexico; West Safford and Teague Properties in Graham County, Arizona; Twin Peaks Property in Maricopa County, Arizona, and West Jerome Property in Yavapai County, Arizona (collectively, the "SEG Properties"). The SEG Purchase Agreement is subject to a royalty equal to 2.0% of the net smelter returns ("NSR") on minerals from the properties. The Company may purchase one half of one percent (0.5%) of the NSR on production from each of the individual properties from the Sellers at any time for a purchase price of \$1,000,000 per property.

Pursuant to the SEG Purchase Agreement, the key terms of the purchase price are the following:

1. USD\$150,000 on signing, paid in cash on August 12, 2008;
2. Upon completion of the non-brokered private placement, USD\$150,000, paid in cash on September 19, 2008;
3. A further USD\$150,000 on the first anniversary of the closing, paid in cash (August 12, 2009);

4. 9,000,000 SEG options granted to the Sellers on August 12, 2008 (the closing), subject to a vesting schedule over a period of 42 months whereby the options will be vested as follows:

Upon Closing	25% (or equivalent to 2,250,000 options)
14 months from the Closing	25% (or equivalent to 2,250,000 options)
28 months from the Closing	25% (or equivalent to 2,250,000 options)
42 months from the Closing	25% (or equivalent to 2,250,000 options)

Each warrant shall entitle the holders to purchase one common share from the Company at a price of \$0.25 per share for a period of ten (10) years from the date the options are granted subject to applicable securities rules and regulations.

On October 13, 2009, the SEG Purchase Agreement was amended. Upon the Company's common shares listing on the TSX Venture Exchange, the expiration of the SEG options has been amended to November 16, 2014. All other provisions of the agreement remain unchanged.

As at December 31, 2009, the Company paid USD\$450,000 in cash and granted 9,000,000 options to the Sellers. In addition, a finder's fee of US\$150,000 was paid in cash by the Company on August 12, 2008 in connection to the acquisition of the SEG Properties. The Company has fulfilled all of its obligations according to its agreement with SEG and accordingly the Company owns 100% interest in the mineral properties.

## 1. Lone Mountain

### Overview

The Lone Mountain Porphyry copper system is located near Silver City, New Mexico. It is situated in a well-known mining district, seven miles southwest of the Santa Rita-Chino mine and ten miles northeast of the Tyrone mine; both of these mines are large open-pit copper operations owned by Freeport-McMoRan.

Land holdings on the property consist of two New Mexico State mineral leases and 40 unpatented federal mining claims, comprising 619.17 hectares (1,530 acres). Copper One has acquired an undivided 100% interest in the claims and leases.

### Mineralization

The Lone Mountain property covers a large tonnage porphyry copper system with over 23,000 meters of historic drilling in 47 drill holes. It represents a broadly-explored, (drill hole spacing was approximately 250 meters) well-mineralized, porphyry-skarn system with multiple, stacked mineralized targets, and is the company's flagship project and its first target to be tested by drilling.

Two distinct targets are present; a near-surface zone of oxide mineralization which is the focus of Copper One's 2008-2009 drilling program; and deeper, copper-zinc-silver-gold skarn mineralization which can attain high grades over significant widths.

Oxide mineralization begins approximately 60 meters below surface and continues to over 250 meters below surface. The lower parts of the oxide zone become chalcocite-dominant. Historical data shows that the skarn mineralization can attain multiple percent grades of copper and zinc over significant (tens of

meters) true widths, and this may also be the focus of a future phase of drilling which will involve the deepening of certain holes targeting the shallower oxide-dominant mineralization.

### Technical Report

On August 13, 2009, a 43-101 technical geological report prepared by Gerald E. Ray and Michael R. Pawlowski, both qualified persons and dated as at July 20, 2009 on the Lone Mountain property was filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

### Exploration History

The Lone Mountain copper prospect has been historically drilled by numerous large mining companies as a porphyry copper system, discovering significant zones of copper and zinc at depths beneath an overlying zone of oxide copper. At the time, the copper oxide mineralization was not considered a target since more modern, SX-EW technology had yet to be developed to treat the lower-grade oxide copper mineralization which typically overlies the deeper sulfide copper mineralization.

Assaying of historic drill holes, however, has shown a significant accumulation of oxide copper to exist at shallower depths in the Lone Mountain system. Below are listed selected intersections of copper oxide mineralization from the historic drilling, illustrating the potential of the Lone Mountain oxide deposit.

### Historical Drilling Results of Oxide Copper at Lone Mountain

Hole	From (ft)	To (ft)	Thickness (ft)	Grade Cu (%)
LM-3	300	420	120	0.67
LM-15	580	1190	610	0.386
LM-30	237	1080	843	0.326
LM-4	670	900	230	0.295
<i>Incl.</i>	670	770	100	0.52
LM-36	230	860	650	0.242
LM-32	235	830	585	0.222
LM-1	510	620	110	0.215
LM-09A	380	680	300	0.215
LM-31	205	710	505	0.212
LM-16	250	420	170	0.20
LM-09	300	700	400	0.18

### Exploration in January 2009

A seven-hole reverse circulation drill program was completed in January 2009 which targeted the known near-surface copper oxide zone, which until recently has only been defined by widely spaced (c 250m) drilling.

Drill hole LM-42, intersected 182.9 meters (600 feet) grading 0.205% oxide copper between 61.0 and 243.8 meters (200 and 800 feet), with 15.24 meters (50 feet) grading 0.498% copper and with the last 9.1 meters (30 feet) grading 0.43% copper.

Copper One's geologists believe that an average sample grade of 0.20% oxide copper provides an excellent foundation to continue to explore the Lone Mountain property. The oxide portion of porphyry copper systems in the SW USA has cut-off grades from 0.04% Cu to 0.10% Cu, depending on leach

characteristics. The Lone Mountain project has excellent leach characteristics as determined from bottle roll test work performed by Mountain States Research and Development in December 2008.

The completed Phase One drill program provides Copper One with valuable geological information with which to base more detailed drilling in the one mile by one mile mineralized area.

The following table shows the significant intervals of oxide copper mineralization representing a small part of the overall system:

#### Phase One Drill Program Highlights

Hole	Total Depth (ft)	From (ft)	To (ft)	Thickness (ft)	Grade Cu (%)
LM-42	800	200	800	600	0.205
	<i>Incl.</i>	210	680	470	0.199
	<i>Incl.</i>	440	500	60	0.317
	<i>Incl.</i>	570	620	50	0.498
	<i>Incl.</i>	680	800	120	0.243
	<i>Incl.</i>	700	740	40	0.275
	<i>Incl.</i>	770	800	30	0.433
LM-37	940	240	410	170	0.101
LM-40	545	210	545	335	0.107
LM-41	840	230	840	610	0.089
	<i>Incl.</i>	550	680	130	0.164

#### Lone Mountain and Similar Properties

The potential estimate at Lone Mountain of 110 - 160 million tonnes with grades between 0.20% and 0.29% copper are well within the range of producing leachable copper mines in this region (see following table) including the Bagdad mine with an average grade of 0.12% copper or the Morenci mine with an average grade of 0.19% copper.

#### Arizona and New Mexico Mines Producing Leachable Copper

Mine	Company	Resource/Reserve Million Tons (Run of Mine Rock)	Average Cu Grade %	Cu Cutoff Grade %
Mineral Park	Mercator	82	0.07	0.056
Bagdad	Freeport	220	0.12	0.05
Morenci	Freeport	2,000	0.19	0.05
Safford	Freeport	34	0.22	0.05
San Manuel	BHP	100	0.30	0.10
Johnson	NORD	73	0.33	0.10
Tyrone	Freeport	150	0.34	0.04
Miami	Freeport	86	0.40	0.04
Cobre	Freeport	74	0.41	0.17
Carlota	Quadra	87	0.44	0.1
Chino	Freeport	88	0.46	0.11

Ray	ASARCO	142	<b>0.45</b>	
Silver Bell	ASARCO	306	<b>0.38</b>	

The bottle roll copper leach tests on Lone Mountain mineralization recorded total copper leach recoveries between 67% to 84% within 96 hours based on calculated head values. Management believes that these results indicate excellent leach recovery. This is significant because Copper One is focused on leachable copper which is the least expensive and most accessible copper to mine in big porphyry copper deposits. An overall trend in the industry is that copper companies are expanding their low cost leachable copper projects and shutting down their higher cost sulfide projects, which require large capital costs in the form of mills and flotation plants.

### **Recent Activity**

The Phase 1 Minimum Impact Exploration Permit (MIEP) was renewed by the New Mexico Energy, Minerals, and Natural Resources Department on December 9, 2009. The permit allows for the drilling of up to 8 drill holes on the Dannelley Ranch portion of the Lone Mountain property. Beginning in 2009, all drill holes also need to be permitted by the New Mexico Office of the State Engineer; permits from this Agency were approved on January 7, 2010. Diamond core drilling by Ruen Drilling, Inc. commenced on January 12, 2010 and was completed on March 24, 2010. Logging and core sawing is handled at Copper One's secure core facility/warehouse in nearby Silver City. Five holes were drilled to the footages listed below:

<u>ID</u>	<u>Depth</u>
LM-44	400 m
LM-45	650 m
LM-46	355 m
LM-47	328 m
LM-48	640 m

The Company reported results the first two diamond drill holes of a five hole (2373 m) program targeting the near surface copper oxide blanket at Lone Mountain.

Drill hole LM-45 returned significant copper oxide mineralization from bedrock at 78 meters, transitioning to mixed oxide-sulphide mineralization from approximately 186 meters to a depth of 264 meters. Below this depth, sulphide mineralization dominated as copper-zinc-silver skarn mineralization. Total copper grades averaged 0.32 % over 290 meters from 78 meters to 368 meters. Not only does this interval include long runs of copper oxide, but it also includes significant higher-grade copper intercepts, such as 18 meters of 1.26% and 9 meters of 1.40%. LM-45 twinned a previously drilled reverse circulation hole (LM-42). While assay trends between the two holes were similar, the core hole generally showed higher copper grades by about 10%. Significant assay intercepts are listed below for LM-45 using a cutoff grade of 0.05% Cu:

Hole ID	From (m)	To (m)	Interval (m)	TD (m)	Assay Interval
LM-45	78	368	290	650	290 m @ 0.322% Cu
incl	87	264	177		177 m @ 0.326% Cu
incl	186	264	78		78 m @ 0.511% Cu
incl	235	253	18		18 m @ 1.26% Cu
incl	264	360	96		96 m @ 0.362% Cu
incl	334	343	9		9 m @ 1.40% Cu
incl	374	392	17		17 m @ 0.556% Cu

Drill hole LM-44 encountered copper oxide mineralization from bedrock at 70 meters to a depth of 204 meters, below which the mineralization becomes mixed copper oxide-sulphide until 296 meters where mineralization was truncated by a major low angle fault. This zone averaged 226 meters of 0.134% Total Copper (TCu). Host rocks include multiple stacked quartz latite porphyry sills in Cretaceous clastic sediments. The table below displays significant intercepts for LM-44.

Hole ID	From (m)	To (m)	Interval (m)	TD (m)	Assay Interval
LM-44	70	296	226	400	226 m @ 0.134% Cu
Incl*	77	113	36		36 m @ 0.161% Cu
Incl*	143	164	21		21 m @ 0.097% Cu
Incl*	169	181	12		12 m @ 0.119% Cu
Incl*	226	246	20		20 m @ 0.174% Cu
Incl*	255	265	10		10 m @ 0.771% Cu
Incl*	281	296	15		15 m @ 0.344% Cu

\* a cutoff of 0.05% Cu was used

The current five hole program is the first phase of in-fill drilling in the broad drill pattern that has historically defined the system. The Company's 2010 plan is to in-fill and expand the extent of the copper system before completing a NI43-101 compliant resource estimate.

The assays of the remaining holes, LM-46, 47 and 48 are pending.

The Phase 2 MIEP application for the LT Ranch portion of the Lone Mountain property was submitted on February 3, 2010, and with some modification was deemed administratively complete on February 23, 2010. Under MIEP regulations, a total of 5 acres of disturbance is allowable. The Phase 2 MIEP is limited to 2.2 acres; Copper One is seeking to drill 14 holes from 9 drill sites within the acreage limitation.

Once the Phase 2 MIEP is issued, work on a broader General Exploration Permit allowing disturbances greater than 5 acres will begin in earnest. Golder Associates Inc. has been contracted to assist with the permitting process.

## **2. Mimbres**

The Mimbres Property consists of 45 unpatented lode claims and 2,040 acres of New Mexico State Mining Leases over a porphyry copper-molybdenum deposit and higher-grade copper-zinc-gold-silver-bearing skarns. Bear Creek Exploration drilled 18 holes up to 1,000 meters deep with assays up to 1.0% copper. Assays typical of skarn intersections include 22 meters grading 0.50% Cu, 15 meters grading 0.60% Cu and 12.5 meters grading 1.0% Cu. As is the case at the nearby Lone Mountain project, drill spacings were very far apart, and the alteration and mineralized zones remain open in several directions. Copper One considers the earlier work to have identified a mineralized system, which now must be explored in a detailed, systematic manner to identify an ore resource. As at Lone Mountain, historically, no importance was given to the oxide mineralization which overlies the deposit, and this will form one of the first exploration priorities for Copper One. Mimbres has a large airborne magnetic signature similar in size and magnitude to the nearby Chino porphyry copper mine owned and operated by Freeport McMoRan.

Evaluation studies of the Mimbres property are ongoing.

## **3. West Safford**

The West Safford Property consists of approximately 2,860 acres of claims, and a 640 acre Arizona State Mineral Exploration lease. The target at West Safford is a large tonnage "Resolution-type" porphyry copper target, buried beneath younger alluvium, in the Safford Mining District. Exploration has centered around structural extrapolation from known porphyry deposits in the area, and has been further defined by a biogeochemical anomaly, a magnetic target (generated by Bear Creek Exploration), and a large induced polarization (IP) anomaly. Subsequently, Phelps Dodge (now Freeport McMoran) drilled two holes that encountered a quartz-pyrite zone. Copper One interprets the earlier two drill holes to have intersected the "pyrite shell" within a much larger porphyry copper system, as evidenced by the size of the IP anomaly. The system remains, essentially, untested.

### **Recent Activity**

A Spontaneous Potential geophysical program was conducted over the property.

## **4. Teague Springs**

The Teague Springs Property consists of 1,920 acres of claims located west of Dos Pobres in the Safford Mining District. The target is a large tonnage, buried Laramide porphyry copper-molybdenum-silver-gold system associated with a large, untested IP anomaly and a Mo-Cu-Zn biogeochemical anomaly. The target area is covered by shallow pediment gravels based on past gravity surveys, and has never been drilled. IP, magnetics, gravity, and biogeochemical surveys have all proved successful in discovering world class porphyry copper systems at the nearby Morenci and Safford mining districts.

Evaluation studies of the Teague Springs property are ongoing.

## 5. Twin Peaks

The Twin Peaks Property is a partially drilled, copper oxide target that has excellent infrastructure and potential for a large open-pit copper oxide body with very low strip ratio. A surface area measuring 750 meters by 520 meters exhibits veins, veinlets, and stockworks of chrysocolla and secondary malachite, iron-oxide, tenorite, and cuprite and chalcocite hosted by a pyrite-poor Laramide-age quartz monzonite. Historically, only four drill holes have tested this target, each with highly encouraging results, including one hole with 86.9m grading 0.37% total copper starting at surface. The copper oxide zone is open and untested under alluvial cover to the north, west, and south.

### Recent Activity

An reverse circulation drill program using Harris Exploration Drilling began at Twin Peaks on February 12, 2010, and was completed on March 12, 2010.

The 2,572 meter reverse circulation (RC) drilling program consisted of 18 holes on a systematic 120 metre grid drill pattern. The drilling defined a relatively continuous copper oxide mineralized zone over a northwest trending area 800 metres long and 300 metres wide with thicknesses varying between 24 metres and 155 metres vertically. It is important to note that the copper oxide mineralization starts at surface. The zone is open to the northwest and southeast and appears to thicken to the southwest below a moderately dipping post mineral fault.

Significant assay intercepts are listed below using a cutoff grade of 0.05% Cu:

Hole ID	Hole TD (m)	From (m)	To (m)	Interval (m)	Grade (% Total Copper)
TP-1	198	0	82	82	0.37
Within		0	155	155	0.25
TP-2*	198	0	24	24	0.32
Within		0	198	198	0.22
TP-3	125	6	36	30	0.23
Within		0	113	113	0.14
TP-4	122	0	55	55	0.11
TP-5	198	0	82	82	0.22
Within		0	125	125	0.18
TP- 6	122	0	55	55	0.11
TP-7	122	0	27	27	0.20

Within		0	70	70	0.12
TP-8*	104	0	52	52	0.25
Within		0	85	85	0.18
TP-9*	128	0	15	15	0.35
Within		0	49	49	0.16
TP-13	116	0	67	67	0.18
TP-14	134	0	40	40	0.13
Within		0	98	98	0.11
TP-17	168	0	61	61	0.11
Within		0	168	168	0.08
TP-18*	274	0	128	128	0.24
Within		0	235	235	0.17

\*Angle Hole; TD= Total Depth

In addition, continuous surface channel sampling along five road cuts within the copper oxide zone demonstrated lateral continuity of copper grades. Continuous chip samples were collected on 1.5 meter intervals. Road cut channel sampling highlights include:

Road Cut ID	Channel Sample Length (m)	Grade (% Total Copper)
1	17	0.33
2	23	0.50
3	27	0.53
4	56	0.28
5	18	0.43

Copper One is evaluating the open-pit copper oxide potential at Twin Peaks that may be amenable to low cost SX-EW (solvent extraction-electrowinning) processing.

The Company conducted preliminary acid-soluble-copper assays on all the samples from the Twin Peaks drilling. Using a 0.05% acid-soluble-copper cutoff grade, the recovery by acid leach ranged between 54 and 77% of the total copper. Further metallurgical work is being planned.

## **6. West Jerome**

The West Jerome Property is considered by Copper One management to represent a highly-potential massive sulphide target in the western Jerome Mining District, Arizona. The property consists of approximately five square kilometers of claims on the west side of Freeport McMoran (previously Phelps Dodge) patented lands.

The United Verde and United Verde Extension Mines, proximal to the West Jerome property, have produced over 98% of the past production from the famous Jerome mining district. Phelps Dodge production records from 1889-1974 for the United Verde Mine show production of 32.99 million tons grading 4.36% copper, 1.53 oz/ton silver, and 0.042 oz/ton gold. The United Verde Extension Mine began production in 1938 and produced a total of 3.9 million tons grading 10.23% copper, 1.71 oz/ton silver, and 0.039 oz/ton gold. As such, the combined deposits at Jerome rank as a giant, world-class massive sulphide deposit.

The West Jerome prospect offers an opportunity to explore for similar, very large massive sulphide deposits with high grades of copper and zinc. The West Jerome prospect has favorable features similar to the nearby United Verde Mine including the favorable mineralized horizon and drilling that suggests massive sulfide feeder pipe alteration similar to the proximal feeder pipe alteration at United Verde Mine. As many important VMS deposits occur in clusters, the proximity of West Jerome to the other important deposits in the Jerome district, along with the positive geological criteria mentioned above, place West Jerome as a highly-prospective exploration target.

### **Recent Activity**

A Spontaneous Potential geophysical program was conducted over the property in the spring of 2009. In addition, a contract has been made to acquire recent VTEM data covering the property. Integration of the geophysical programs with ongoing geologic mapping, geochemical sampling, and data interpretation will be used for drill site selection.

### **c. Dos Cabezas Property**

On July 31, 2009, the Company has entered into an option agreement with Fronteer Development (USA) Inc. under which Copper One has the right to purchase the Dos Cabezas Property in southern Arizona for the total price of US\$400,000 payable over 3 years.

On October 30, 2009, the Company entered into an assignment agreement with Golden Fame (USA) Inc. (the "Assignee"), under which Copper One has assigned 100% of its right, title and interest in the Dos Cabezas Property for the total price of US\$150,000. The Assignee agrees to be irrevocably bound by all the terms identified in the Dos Cabezas Agreement except the obligation of the first payment of US\$50,000 to Fronteer Development (USA) Inc.

The property consists of 112 unpatented lode and placer claims, 20 patented claims, 3 parcels of fee lands and 12 parcels of town lots near the town of Dos Cabezas, Arizona.

The Dos Cabezas property covers a series of gold-silver-copper quartz fissure veins exposed for 3 miles that were previously produced by underground miners. The last gold mining occurred in 1996 by Western States Mining, a subsidiary of the Fronteer Group.

No technical report on the property is currently filed on SEDAR.

As of the date of this MD&A, the Company has not performed any activities of its own on the Dos Cabezas property.

### **Financing Activities**

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The Company has engaged in the following financing activities:

- a) In August 2009, the Company completed the non-brokered private placement of 12,000,000 units at a price of \$0.50 per unit for gross proceeds of \$6,000,000. Each unit was comprised of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional share at a price of \$0.80 for a period of two years from the date of issuance.

The Company paid finders' fees of \$108,000 and the issuance of 621,500 units in aggregate at a fair value of \$0.50 per finder's unit, with the units having the same terms as the units sold under the non-brokered private placement. One finder also received 836,500 finder's warrants where each finder's warrant entitles the holder to purchase one share of the Company at a price of \$0.85 for a period of two years from the closing date of the private placement. The fair value of the broker warrants was calculated using the Black-Scholes model using the following assumptions: risk-free interest rate of 1.29%, expected life of five years, and expected volatility of 104.47%.

- b) In June 2009, the Company completed a non-brokered private placement of 7,000,000 units at \$0.11 per unit resulting in gross proceeds of \$770,000. Each unit was comprised of one common share of the Company and one share purchase warrant. Each share purchase warrant entitles the warrant holder to purchase one common share of the Company at an exercise price of \$0.20 per common share for a period of two years from the date of issuance.

In connection with this private placement, the Company paid finders' fees totalling 443,800 units in aggregate at a deemed price of \$0.11 per unit, with the units having the same terms as those units being sold under the non-brokered private placement. One finder also received 443,800 finder's warrants where each finder's warrant entitles the holder to purchase one common share of the Company at a price of \$0.30 for a period of two years from the closing of the private placement. The fair value of the broker warrants was calculated using the Black-Scholes model using the following assumptions: risk-free interest rate of 1.4% expected life of five years, and expected volatility of 105.56%.

- c) In September 2008, the Company completed a non-brokered private placement of 8,358,000 units at \$0.25 per unit resulting in gross proceeds of \$2,089,500. Each unit was comprised of one common share of the Company and one share purchase warrant. Each share purchase warrant entitles the warrant holder to purchase one common share of the Company at an exercise price of \$0.35 per common share until September 19, 2010. In connection with this private placement, the Company paid aggregate finders' fees of \$176,395.
- d) In January 2008, the Company issued 40,000 common shares with a fair value of \$12,000 as part of the acquisition of the Sol D'Or Property.

## ***Liquidity and Capital Resources***

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The Company's aggregate operating, investing and financing activities for the year ended December 31, 2009 resulted in a cash increase of \$5,250,873 (2008 - \$579,932). As at December 31, 2009, the Company's cash and cash equivalents balance was recorded as \$6,180,734 (2008 - \$929,861) and the Company had a working capital of \$6,136,295 (2008 - \$929,200). At December 31, 2009, the Company has share capital of \$8,958,199 (2008 - \$2,536,246) representing 41,656,701 (2008 - 20,613,901) common shares and a deficit of \$3,345,897 (2008 - \$1,540,062).

The Company has not yet put into commercial production any of its mineral properties and therefore has no operating revenues. Accordingly, the Company is dependent on the equity markets as its sole source of operating working capital. The Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

The Company will continue to require funds to meet its obligations under its property option agreements and as a result, will have to continue to rely on equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

Under the Sol D'Or Option Agreement, the Company can earn an undivided 100% interest in the Sol D'Or property by making staged payments of \$96,000 and the issuance of 100,000 common shares to the Vendor, over a period of 4 years. This agreement is also subject to a 2% NSR to the Vendor, with an optional buyout of 1% of the royalty for a one million dollar cash payment. As at the date of this MD&A, the Company has made cash payments of \$56,000 and issued 100,000 shares to the Vendor under its obligations to the Option Agreement and has terminated the Option Agreement.

Pursuant to the SEG Purchase Agreement, the Company has an undivided 100% interest in the six SEG Properties by making staged payments of US\$450,000 over a period of 2 years and granting 9,000,000 options at an exercise price of \$0.25 per share expiring on November 16, 2014 to the Sellers. The SEG Purchase Agreement is subject to a royalty equal to 2.0% of the net smelter returns ("NSR") on minerals from the properties. The Company may purchase one half of one percent (0.5%) of the NSR on production from each of the individual properties from the Sellers at any time for a purchase price of \$1,000,000 per property.

On July 31, 2009, the Company entered into an option agreement with Fronteer Development (USA) Inc. Under which the Company has the right to purchase the Dos Cabezas Property in southern Arizona for the total price of US\$400,000 payable over 3 years. To ensure that the Dos Cabezas Agreement is held in good standing, the Company is committed to the following payment terms:

<b>Date</b>	<b>Cash</b>
July 31, 2009	US\$ 50,000 (paid)
July 31, 2010	US\$ 100,000
July 31, 2011	US\$ 100,000
July 31, 2012	US\$ 150,000

On October 30, 2009, the Company entered into an assignment agreement with Golden Fame (USA) Inc. Under which the Company has assigned 100% of its right, title and interest in the Dos Cabezas Property for the total price of US\$150,000 (received) and reimbursement of expenses incurred by the company. The assignee agrees to be irrevocably bound by all the terms identified in the Dos Cabezas Agreement except the obligation of the first payment of US\$50,000 to Fronteer Development (USA) Inc.

On October 1, 2009 the Company entered into an exploration and purchase option agreement with LT Ranch LLC which represents the surface title to the southern portion of the Lone Mountain property. In return for paying US\$100,000 the Company was granted exclusive right to access to conduct exploration activities on the property for a period of one year, with five renewal periods of one year each upon payment of an annual fee of US\$100,000 or other amount acceptable to the owner. During the annual exploration period the Company may exercise an option to purchase the surface title to the property in return for US\$3,000,000.

### ***Transactions with Related Parties***

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- (a) Included in accounts payable and accrued liabilities is an amount of \$23,380 (2008 - \$23,060) to directors and officers of the Company, and \$12,655 (2008 - \$nil) payable to a company whose officer is a director and an officer of the Company. These amounts are unsecured, non-interest bearing, and due on demand.
- (b) During the year ended December 31, 2009, the Company paid consulting fees of \$83,175 (2008 - \$14,675) to three directors of the Company with respect to consulting services on the acquisition and exploration of the Company's mineral properties.
- (c) For the year ended December 31, 2009, Copper USA paid \$260,617 (2008 - \$82,377) to directors and officers of the Company with respect to consulting services on the acquisition and exploration of the Company's mineral properties.
- (d) Pursuant to a management and advisory agreement with Baron Global Financial Canada Ltd. ("Baron"), Baron agreed to act as corporate advisor and Chief Financial Officer of the Company in return for a monthly fee of \$10,000. During the year ended December 31, 2009, the Company recorded \$78,000 in management fees, \$36,000 in rent and \$6,000 in office expenses to Baron for a total of \$120,000 (2008 - \$89,648).
- (e) During the year ended December 31, 2009, the Company received US\$150,000 and was reimbursed \$229,012 from Golden Fame (USA), Inc., a company with common management, as part of the assignment agreement.

All of the above transactions have been in the normal course of operations and, have been recorded at their exchange amount, which are amounts spend upon by the transacting parties.

### ***Off Balance Sheet Arrangements***

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To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the company.

### ***Financial Instruments***

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The Company's financial instruments consist of cash and cash equivalents, accounts receivable, prepaid expenses, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The carrying values of these financial instruments approximate their cost, unless otherwise noted.

## **Outstanding Share Data**

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The following information relates to share data of the Company as at April 27, 2010.

### Share capital

- (a) Authorized:
  - An unlimited number of common voting shares.
  - An unlimited number of preferred shares, without nominal or par value, issuable in series.
- (b) Issued:

The Company has 41,656,701 common shares issued and outstanding and its share capital is \$8,958,199.

### Options

On February 28, 2008 the Company granted 150,000 incentive stock options to a Consultant. The options are exercisable at \$0.34 per share and will expire February 28, 2013.

On April 13, 2008, 300,000 stock options granted to former directors of the Company in 2007 expired unexercised.

On June 4, 2008, the Company granted 925,000 stock options to directors and officers of the Company at an exercise price of \$0.35 per share with an expiry date of June 4, 2013.

On August 12, 2008, pursuant to the SEG Purchase Agreement, the Company granted 9,000,000 options to three SEG principals at an exercise price of \$0.25 per share with an expiry date of November 16, 2014.

On January 8, 2009, the Company granted 735,000 incentive stock options to certain directors, officers and a consultant. The options are exercisable at \$0.25 per share and will expire on January 8, 2014.

On July 17, 2009, the Company has also granted 800,000 incentive stock options to certain directors and consultants. The options are exercisable at \$0.64 per share and will expire on July 17, 2014.

On January 15, 2010, the Company granted 700,000 incentive stock options to a director and consultants. The options are exercisable at \$0.55 per share with a five year term.

## Warrants

As at December 31, 2009, there were 22,912,850 share purchase warrants issued and outstanding entitling the holders thereof the right to purchase one common share for each warrant held:

<u>Expiry Date</u>	<u>Price Per Share</u>	<u>Warrants Outstanding</u>
September 19, 2010	\$ 0.35	8,078,000
May 31, 2011	\$ 0.20	3,921,450
May 31, 2011	\$ 0.30	226,450
June 11, 2011	\$ 0.20	3,322,350
June 11, 2011	\$ 0.30	217,350
August 26, 2011	\$ 0.80	6,310,750
August 26, 2011	\$ 0.85	836,500
		22,912,850

## **Additional Disclosure for Venture Issuers without Significant Revenue**

The Company has expensed the following material cost components:

	<u>Year ended December 31, 2009</u>	<u>Year ended December 31, 2008</u>
Consulting Fees	\$327,059	\$ 16,720
Professional Fees	\$ 78,610	\$ 56,699
Office	\$101,731	\$ 33,947
Stock Based Compensation	\$994,174	\$ 972,632
Travel	\$ 42,138	\$ 81,531

Consulting fees of \$327,059 and \$16,720 incurred and expensed in the year ended December 31, 2009 and 2008, respectively, were paid to various consultants of the Company. In the year ended December 31, 2009 and 2008, professional fees of \$78,610 and \$56,699, respectively, were paid to legal counsel and auditor of the Company. The transactions were conducted in the normal course of operations, on commercial terms established and agreed to by the parties, and were recorded at the exchange amount. Stock based compensation was expensed in accordance to GAAP and was recorded during the year as stock options were granted.

## **Changes in Accounting Policies**

Effective January 1, 2009, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These new standards have been adopted on a prospective basis with no restatement of prior period financial statements.

## Goodwill and Intangible Assets

The company has adopted the Canadian Institute of Chartered Accountants Handbook standard Goodwill and Intangible Assets for its fiscal year beginning January 1, 2009. This section replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill

subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in Section 3062. The adoption of this section has had no significant impact on the Company's consolidated financial statements.

#### Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

On January 20, 2009, the Emerging Issues Committee ("EIC") of the Canadian Accounting Standards Board ("AcSB") issued EIC Abstract 173, Credit Risk and Fair Value of Financial Assets and Financial Liabilities ("EIC" 173), which establishes that an entity's own credit risk and the credit risk of the counterparty, should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC 173 should be applied retrospectively without restatement of prior years to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this section has had no significant impact on the Company's financial statements.

#### Mining Exploration Costs

In March 2009, the Company adopted CICA issued Emerging Issues Committee Abstract 174 – Mining Exploration Costs which amends EIC-126- Accounting by Mining Enterprises for Exploration Costs, to provide additional guidance for mining exploration enterprises on the accounting for capitalization of exploration costs and when an impairment test of these costs are required. The adoption of this section has had no significant impact on the Company's financial statements.

#### Financial instruments

In June 2009, the AcSB issued an amendment to CICA Handbook Section 3862, "Financial Instruments – Disclosures", to provide improvements to fair value and liquidity risk disclosures. The amendment applies to the Company's fiscal year ending January 31, 2010. The standard requires the Company to categorize its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement. Level one includes unadjusted quoted prices in active markets for identical assets and liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data.

#### **Future Changes in Accounting Policies**

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It is management's position to only disclose the effect of new accounting pronouncements which are expected to have an impact on the Company's financial reporting policies. As a result, accounting pronouncements which are not expected to be applicable to the Company are not disclosed.

The following new accounting recommendations have been issued by the Canadian Institute of Chartered Accountants but are not yet required to be adopted by the Company.

#### Business Combination, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the Accounting Standards Board ("AcSB") issued CICA Handbook Sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements" and 1602, "Non-controlling Interests" which replace CICA Handbook Sections 1581, "Business Combinations" and 1600, "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's

interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this section is permitted and all three sections must be adopted concurrently.

### International Financial Reporting Standards

In 2006 the Canadian Accounting Standards board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (“IFRS”) over a five-year transitional period. In February 2008 the AcSB announced that 2011 is the change over date for publicly-accountable enterprises to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

The Company has begun to evaluate the impact of IFRS on its financial accounting and reporting systems. The Company has appointed internal staff to lead the IFRS conversion process and prepare a diagnostic analysis that identifies the differences between our current accounting policies and IFRS.

The Company will begin to design and build an IFRS framework, which includes decisions on available accounting policy choices, formulate policy positions and execution and roll-out of communications strategy. Once the design and build phase is complete, the Company will move to the implement and review phase which includes preparation of an IFRS opening balance sheet, compilation of comparative data, preparation of quarterly financial statements and disclosures, preparation of annual financial statements and disclosures, monitoring how IFRS evolves, conducting post implementation review and communication ongoing requirements.

### **Risks and Uncertainties**

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The Company is engaged in the exploration and development of mineral properties. These activities involve a high degree of risk which, even with a combination of experience, knowledge and careful evaluation, may not be overcome. Consequently, no assurance can be given that commercial quantities of minerals will be successfully found or produced.

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many common risks to new and developing enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a positive return on shareholders’ investment.

The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

The Company’s property interests are located in remote, undeveloped areas and the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost, cannot be assured. These are integral requirements for exploration, development and production facilities on mineral properties. Power may need to be generated on site.

Recent, improved market conditions for resource commodities after several years of record low prices has resulted in a dramatic increase in mineral exploration and development investment and activity in Canada and the USA. While inflation has not been a significant factor affecting the cost of goods and services in Canada and the USA in recent years, this renewed exploration and development activity has resulted in a

shortage of experienced technical staff, and heavy demand for goods and services needed by the mining community.

Management believes that the overall commodity price outlook has improved due to the return of double-digit growth in China, aggressive restocking and a stronger-than-expected recovery in the U.S. A relatively weak U.S. dollar, supply concerns and growing interest in commodities as a bona fide asset class are additional positive factors.

In contrast to last year, industry participants are observing an improvement in demand for copper and there is a growing expectation that the physical copper metal market is set to move into a deficit in 2010 and 2011. The recovery in demand from China's infrastructure and industrial needs and a jump in imports of primary copper are cited as the key factors responsible for the current high price. In addition, a rebound in key copper consuming sectors in the Western world, investor interest and restocking are also seen as important factors driving copper prices to the upside recently.

Copper concentrate supply-demand conditions are seen as tight, which is reflected in the relatively low smelter processing charges. The longer-term outlook is also seen as fairly robust, but there would be a risk of a correction in copper price in the latter part of 2010 as copper miners ramp up production too promptly due to the overall optimism. Current prices are seen as reflecting the stronger-than-expected recovery in demand. Potential interest rate hikes might dampen demand for copper to a limited extent.

The mineral industry is intensely competitive in all its phases. The Company competes with many other mineral exploration companies who have greater financial resources and technical capacity.

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

### ***Trends***

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Trends in the industry can materially affect how well any junior exploration company is performing. In general base metal prices recently have weakened and as a result worldwide exploration has been negatively affected. The demand for metal in Europe and North America has declined. Under current adverse economic condition, the Company realized its increasing difficulties in its ability to continue to raise the financing necessary to complete the exploration and development of those projects and the existence of economically recoverable reserves within its projects. Thus, the exploration for and development of industrial mineral deposits are becoming very speculative. However use of metals in China and India may have a positive impact on overall world demand. This overall trend may continue for some time.

### ***Additional Information***

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Additional information about the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).